

**PENSION FUND COMMITTEE – 8 SEPTEMBER 2023**

**REVIEW OF THE BUSINESS PLAN 2023/24**

**Report by the Director of Finance**

**RECOMMENDATION**

**The Committee is RECOMMENDED to**

- a) **review progress against each of the key service priorities as set out in the report; and**
- b) **agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

**Introduction**

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2023/24 as agreed by the March meeting of this Committee.
2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2023/24 remain consistent with those agreed for previous years. These are summarised as:
  - To fulfil our fiduciary duty to all key stakeholders
  - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
  - To achieve a 100% funding level
  - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
  - To maintain as near stable and affordable employer contribution rates as possible.
3. The service priorities for the year do not include the business as usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report and the report on Investment Performance.

**Key Service Priorities – Progress to Date**

4. There were 4 service priorities included in the 2023/24 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria agreed by the previous Committee for each measure of success is as follows:

- Green – measures of success met, or on target to be met
- Amber – progress made, but further actions required to ensure measures of success delivered, or degree of progress/future requirements unclear
- Red – insufficient progress or insufficient actions identified to deliver measures of success

5. Delivery the Regulatory Changes as set out by the Government The position against the 3 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
No regulatory breaches that require reporting to the Pension Regulator. GREEN	Revised Breaches Policy presented to the Committee. Production of Escalation Policy in respect of Contribution Breaches. Review of Information presented to quarterly meetings of the Committee.	
All Pension Benefit Calculations and Annual Benefit Statements issued with required information on the McCloud remedy. AMBER	Resourcing plan reviewed and progress made on recruiting sufficient staff to complete work.	Final Regulations setting out information requirements still awaited. System changes to automate any new requirements to be implemented and tested.
Scheme Member records available via the Pension Dashboard. GREEN	Work continues on data quality improvement.	Awaiting revised Government timescales.

6. In the absence of clear guidance and the final Regulations in respect of the McCloud remedy from Government, there has been little clear progress in many of the areas covered by this objective, although we continue to review the quality of our data as part of the closedown process for 2022/23 to ensure we are fully prepared to meet any requirements in respect of the Dashboard, and to implement the McCloud remedy.
7. In respect of the McCloud remedy, we continue to review the data we have previously been provided to identify any missing information, or lack of consistency in the data provided. Until we receive final regulations and guidance which covers all these issues, it will not be possible to confirm we have

sufficient resources to meet the requirements re member benefit calculations. The Priority therefore is scored Amber at this stage.

8. Progress has been made in terms of putting in place a formal escalation process in respect of late receipt of pension contributions or supporting paperwork, and this quarter sees the first of the new Governance and Communications reports which will become a standing item on the Committee's agenda and will include information on all regulatory breaches identified in the previous quarter. No material breaches were identified in the first quarter of this year which required a report through to the Pension Regulator, or equivalent body.
9. Deliver further improvements to the governance arrangements of the Fund. There were 6 specific measures of success set out in the 2023/24 Business Plan in respect of this priority. The progress against these is set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Governance Officer in post. GREEN	Appointment made.	
Annual Report on Compliance with the Code of Practice presented to the Committee and no significant shortfalls identified. GREEN	New Governance and Communications Standing item added to Committee agenda.	Complete analysis of compliance with General Code of Practice.
Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers. GREEN	Proposal at today's meeting of the Committee.	
Revised Breaches Policy agreed by Committee and Committee signed off quarterly key performance indicator provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements. GREEN	Revised Breaches Policy agreed.	
Full workforce Strategy agreed by Committee. AMBER		Awaiting Good Government Guidance from Government
Increase in average scores for the National	Training Session on lowest scoring areas	New Assessment tool to be completed.

Knowledge Assessment. GREEN	from last assessment arranged.	
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10. We have continued to make good progress on a number of issues under this priority, including the inclusion of the new standing item on Governance and Communications presented to the Committee for the first time today, and the revised Administration Strategy presented to the Committee for approval elsewhere on today's agenda.
11. I am also happy to report the successful conclusion of the recruitment process to appoint the third and final member of the new Governance and Communications Team. This will allow us to continue to develop the work in this area and particularly allow a focus on assessing compliance with the new General Code of Practice once finally published.
12. The one area currently scored amber relates to the workforce strategy where we are still waiting for the Government to publish the Good Governance Guidance which will hopefully set out more clearly their requirements. As noted elsewhere though on the agenda, we are looking at the current succession plans to mitigate the risks of the loss of key staff.
13. One of the key regulatory requirements facing the Fund each year is the publication of Annual Benefit Statements for all active and deferred members before the statutory deadline of 31 August. At the time of writing this report significant work had been undertaken to meet this target, and an updated position will be reported direct to the meeting.
14. Enhanced Delivery of Responsible Investment responsibilities. There were 4 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Improved quarterly reporting in place to both Committee and on the Fund's webpages, including wider ESG targets, and performance measures, reflected in positive feedback from all stakeholders. AMBER	New Carbon Metrics report produced by Brunel includes additional data on Green Revenues and TPI Management Quality scores. Webpages amended to include underlying company holdings and all key policy documents.	Extend climate scores to the private market portfolios. Review additional ESG scores to be included in future reports.
Successful Application in respect of the Stewardship Code. AMBER	Stewardship Policy developed, and application made under the Stewardship Code.	

	Committee to review Brunel's Responsible Investment and Stewardship Outcomes report at today's meeting.	
Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver). GREEN	Discussions within Brunel Pension Partnership re climate solutions local impact portfolio. On-going development of Green Revenues report with Brunel	Benchmark position established and new target set.
Continue to meet decarbonisation target, within a balance suite of metrics to include % of Fund invested in Paris Aligned portfolios. AMBER	TCFD report included elsewhere on today's agenda.	Develop measures on % of Fund invested in Paris Aligned portfolios. Review alongside Brunel partnership of Engagement Policy.

15. Work has continued to progress alongside colleagues within the Brunel Pension Partnership to deliver further improvements in this area. At the time of writing this report, discussions are on-going in respect of the concerns previously expressed about the investments in Suncor and MEG within the Global High Alpha portfolio. These discussions centre around the interpretation and implementation of the currently agreed Brunel Climate Change Policy and the responses from the relevant Fund Manager who has made the investment in the two holdings. The discussion includes consideration of the Engagement Policy adopted by this Committee at its meeting in June 2022.
16. Elsewhere on today's agenda, the Committee are invited to review the Stewardship Policy document submitted in May as our application under the Stewardship Code. At the time of writing this report we have not yet heard whether our application was successful. An update will be provided at the meeting if received in time. The Committee are also invited to review the Brunel Responsible Investment and Stewardship Outcomes Report and confirm they are happy with the work done on their behalf in this area.
17. The latest report issued in accordance with the Taskforce for Climate-related Financial Disclosures (TCFD) template is also presented to the Committee as part of today's agenda, including an update on progress made over the last year on the implementation of our Climate Change Policy.
18. Finally in this section, the Committee should note that discussions are on-going amongst a number of the partner Funds within Brunel around the establishment of a local impact renewables portfolio. Subject to the successful conclusion of these current discussions and the associated review of the financial and legal

documents, we are looking to make a commitment in the region of £30m to this portfolio.

19. Deliver further improvements in efficiency and effectiveness of scheme operations through enhancements to technology. Progress against the 5 measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Increased operational effectiveness as measured through improved SLA performance scores. GREEN	Work programme of technology enhancements agreed with system supplier.	
Improved scheme member/employer satisfaction measured via positive assessment or a reduction in complaints. AMBER	Revised member satisfaction survey piloted.	Pension Board to review survey results and work with Officers to improve assessment process.
Increased Take Up of Member Self Service. GREEN		
Action Plan in place with targets to collection email address and/or mobile phone number for scheme members. AMBER		Action Plan to be developed and priority groups identified.
Reduction in postage costs reflecting greater use of electronic communications. AMBER	Decision to delay on-line payslips. Initial discussions held within County Council around proposed new approach to electronic communications.	

20. The monthly meetings with Heywood who supply the pension system software to manage a series of developments which aim to maximise our effective use of the system are continuing. We have gone live with the initial areas where scheme members can upload their documents direct to the system and this is resulting in increased capacity amongst the administrative assistants to focus on other areas of their work. It is also clear that scheme members welcome the opportunity to upload their documents directly to the system and we are looking to introduce this option across more areas of the service.
21. Whilst the improvements in operational efficiency are already noticeable, it is too early to confirm the impact of the changes on performance, stakeholder satisfaction and cost. It was decided as a result of workload pressures around the year end to delay the implementation of on-line payslips. The majority of

pensioners only receive a single payslip in April to reflect the changes in their pension for the new financial year, so this delay does mean we have missed the opportunity to deliver significant savings on postage until next year. However, since the last meeting, the County Council has approached us regarding changes they are seeking to make to their postal arrangements and the introduction of a hybrid digital post room. Subject to the ability to send correspondence direct from the pensions' software to the new post room, it is hoped that we can make savings on the postage budget this year, with further savings going forward.

22. Part C of the Business Plan sets out the Fund's budget for 2023/24 which totals £17,662,000. The table below sets out the expenditure to date and the forecast position for the end of the year.

	Budget	YTD	%	Forecast Outturn	Variance
	2023/24	2023/24		2023/24	2023/24
	£'000	£'000		£'000	£'000
<b>Administrative Expenses</b>					
Administrative Employee Costs	1,607	336	21%	1,607	0
Support Services Including ICT	930	499	54%	950	20
Printing & Stationary	132	31	24%	132	0
Advisory & Consultancy Fees	315	3	1%	250	-65
Other	59	16	27%	59	0
<b>Total Administrative Expenses</b>	<b>3,043</b>	<b>886</b>	<b>29%</b>	<b>2,998</b>	<b>-45</b>
<b>Investment Management Expenses</b>					
Management Fees	12,450	3,000	24%	12,000	-450
Custody Fees	30	4	13%	30	0
Brunel Contract Costs	1,258	655	52%	1,258	0
<b>Total Investment Management Expenses</b>	<b>13,738</b>	<b>3,659</b>	<b>27%</b>	<b>13,288</b>	<b>-450</b>
<b>Oversight &amp; Governance</b>					
Investment Employee Costs	380	80	21%	370	-10
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	109	57%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	17	0	0%	17	0
Advisory & Consultancy Fees	98	4	4%	98	0
Committee and Board Costs	64	2	3%	64	0
Subscriptions and Memberships	70	14	21%	70	0

<b>Total Oversight &amp; Governance Expenses</b>	<b>881</b>	<b>210</b>	<b>24%</b>	<b>871</b>	<b>-10</b>
<b>Total Pension Fund Budget</b>	<b>17,662</b>	<b>4,754</b>	<b>27%</b>	<b>17,157</b>	<b>-505</b>

23. The major variation identified at this time is an expected underspend against the investment management fees which are related to the overall Fund value and therefore as volatile as the financial markets. The underspend reflects the actual fee levels paid during the first quarter.
24. There are other minor variations should in the table. No variation is shown on staffing within the administration team, although there has been a underspend during the first quarter, reflecting the expectation that expenditure will increase through the year following a successful recruitment round and the use of temporary staff above establishment to meet the demands of implementing the McCloud remedy.
25. Part D of the Business Plan sets out the Training Plan for Committee and Pension Board Members. A training session on the General Code of Practice was held prior to the start of the June Committee Meeting, a session on the Accounting and Audit Requirements and Investment Performance took place on the morning of 27 June 2023, and a session on equity protection was scheduled to immediately proceed today's meeting.
26. We will shortly be sending out links to the latest knowledge assessment exercise run by Hymans Robertson which will enable us to review the effectiveness of the training delivered so far this year and the priorities for the remaining months. It has already been agreed to run a session on the private markets.

Lorna Baxter  
Director of Finance

Contact Officer  
Sean Collins  
Email: [sean.collins@oxfordshire.gov.uk](mailto:sean.collins@oxfordshire.gov.uk)

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